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DOCUMENTS, REPORTS, AND LEGISLATION

Industries and Commerce

The Merchants' Association of New York has issued a bulletin on *The Iron and Steel Industry*, prepared under the direction of Edward E. Pratt (New York, 233 Broadway, pp. 33). This has chapters on the advantages of New York harbor for the production of pig iron and steel. Data are given in regard to the cost of assembling supplies, prices, labor, and costs of marketing. Included is a map showing the rail terminal facilities of greater New York.

Parts II, III, and IV of *The Lumber Industry*, a report issued by the federal Bureau of Corporations, have now appeared (see REVIEW, vol. III, p. 451). Part II deals with the concentration of timber ownership in important selected regions and part III with land holdings of large timber owners with ownership maps. Part IV deals with conditions in production and wholesale distribution including wholesale prices (pts. II and III, pp. 264; pt. IV, pp. xxi, 933). These volumes are elaborately illustrated with maps and charts. Part IV presents much information on combinations among manufacturers and wholesalers to fix prices. Maps showing individual holdings are unique.

The Library of Congress has issued *List of References on Water Rights and Control of Waters* (Washington, 1914, pp. 111) which contains over 500 references.

Hearings before the Combined Commission to Investigate the Purchase of America-grown Tobacco (Washington, 63 Cong., 2 Sess., 1913, pp. 39) has been printed.

On the subject of rural credit is to be noted Bulletin 56 of the State Department of Agriculture of New York containing a special report of the New York state delegates of the American Commission for the Study of Agricultural Coöperation in Europe (Albany, pp. 752-1048); and *An Analysis of Rural Banking Conditions in Illinois*, prepared by Charles L. Stewart, of the University of Illinois, for the committee on agriculture of the Illinois Bankers' Association (Feb. 12, 1914, pp. 38).

The following pamphlets relating to agricultural problems are to be noted:

A Normal Day's Work for Various Farm Operations, by H. H. Mowry, Bulletin of the U. S. Department of Agriculture, No. 3 (Washington, 1914, pp. 44);

The Organization of Rural Interests, by T. N. Carver, reprinted from the Yearbook of the Department of Agriculture for 1913 (Washington, 1914, pp. 239-258);

Cost of Milk Production and What it Costs to Produce Milk in New England, by P. M. Harwood, Circulars 8 and 9 of the Massachusetts State Board of Agriculture (Boston, 1913, 1914, pp. 8, 10);

Boll Weevil Effect upon Cotton Production, by W. E. Hinds, reprinted from Alabama Agricultural Experiment Station (Auburn, 1914, pp. 88-99);

The Farmers' Coöperative Exchange, by A. E. Cance (Amherst, Extension Service of the Massachusetts Agricultural College, 1914, pp. 34);

Forestry in New Hampshire, Twelfth Report (Society for Protection of New Hampshire Forests, Allen Hollis, secretary, Concord, N. H., 1914, pp. 96);

Some Important Factors for Success in General Farming and in Dairy Farming, by G. F. Warren, Bulletin 349 of the Agricultural Experiment Station of Cornell University (Ithaca, July, 1914, pp. 657-702);

The Milk Supply of Minneapolis, by C. M. Jones, Bulletin No. 53, State Dairy and Food Commissioner (St. Paul, 1914, pp. 12);

Economic Development of the Northwest, by Martin J. Anderson, Bulletin No. 52, Minnesota Dairy and Food Department (St. Paul, 1914, pp. 62);

How Shall Farmers Organize? Bulletin 225 of the North Carolina Agricultural Experiment Station (West Raleigh, Feb., 1914, pp. 17);

Farmers' Clubs, Their Organization and Work, Circular No. 15 of the North Carolina Agricultural Experiment Station (Raleigh, Jan., 1914, pp. 12);

The Oregon Farmer. What He has Accomplished in Every Part of the State, by Oregon Statistical Bureau (Portland, Oregon State Immigration Commission, 1914, pp. 136);

The Problem of Fertility in the Middle West, an address prepared by W. H. Bowker and Horace Bowker (Chicago, National Fertilizer Association, Jan. 9, 1914, pp. 15);

The Value of Cotton-Seed Products in the Feeding of Farm Animals, as a Human Food, and as a Fertilizer (Dallas, Tex., Interstate Cotton-Seed Crushers' Assoc., 1914, pp. 144).

The Bureau of Foreign and Domestic Commerce, in Miscellaneous Series No. 17, presents a helpful list of *Publications on Latin-America*

and the *West Indies* for the information of exporters (Washington, 1914, pp. 15).

The Bureau of Mines has issued a brief pamphlet, Bulletin 76, on *United States Coals Available for Export Trade*, by V. H. Manning (Washington, pp. 15). This is illustrated by an interesting map showing the shipping ports of the respective fields.

During the past few months the federal Department of Commerce has published the following bulletins:

Special Consular Reports, No. 65, *Development of the Dominican Republic*, by Charles H. Albrecht and Frank A. Henry (May 14, 1914, pp. 36); No. 64, *Utilization of Potatoes in Europe*, by Robert P. Skinner (May 15, 1914, pp. 44);

Miscellaneous Series, No. 16, *Cost of Production in the Pottery Industry; Summary of Results*, supervised by Frank J. Sheridan (pp. 43);

Special Agents Series, No. 38, *Lumbering Industry of the Philippines*, by John R. Arnold (May 9, 1914, pp. 22);

No. 84, *Cotton Seed Products and Their Competitors in Northern Europe*, pt. 1, *Cake and Meal*, by Erwin W. Thomson (June 20, 1914, pp. 93); pt. 2, *Edible Oils* (July 25, 1914, pp. 31);

No. 86, *Cotton Goods in Japan*, by W. A. Graham Clark (July 15, 1914, pp. 282);

No. 87, *South American Trade in Canned Goods*, by E. A. Thayer (July 18, 1914, pp. 36);

No. 90, *Banking and Credit in Argentina, Brazil, Chile, and Peru*, by Edward N. Hurley (Aug. 11, 1914, pp. 72).

Corporations

Hearings before the House Committee on the Judiciary on *Trust Legislation* have been published in two volumes (Parts 1-35 and appendix, pp. 2,055).

The following documents have been received dealing with the work of public utility commissions:

Report of the Public Service Commission and Boston Rapid Transit Commission, Massachusetts, concerning an investigation of the service of street railway companies (Boston, Sen. Doc. No. 448, 1914, pp. 418). This contains tabulations showing the length of the ride for a five-cent fare from the center of Boston, ranging from 3.19 to 9.18 miles. One section is devoted to an historical outline of the development of metropolitan street railway lines; and in the appendix will be

found tables showing the number of cars in service each hour on a selected day, the number of passengers arriving at different stations, and the number of crews required. Several tables deal with passenger counts. At the end are maps and charts illustrating the data.

Annual Report of the Public Utilities Commission of Rhode Island, for 1913 (Providence, 1914, pp. 97, xi), which contains an analysis of accident statistics on railroads (p. 27).

Twenty-ninth Annual Report of the Board of Gas and Electric Light Commissioners, of Massachusetts (Boston, 1914, pp. 243, 270).

Report of the Public Service Commission of the First District of New York for 1912; Vol. II, *Statistics of Transportation Companies* (New York, 1914, pp. 892). This contains interesting diagrams graphically representing subway traffic.

Fourth Annual Report of the Board of Public Utility Commissioners for New Jersey for 1913 (pp. 591).

Fourth Annual Report of the Quebec Public Service Commission for 1913 (Quebec, 1913, pp. 348).

Report of the Public Service Commission of Maryland for 1913 (Baltimore, 1914, pp. 764). This also contains analyses of accident reports (pp. 615-629).

Twenty-ninth Annual Report of the Railroad and Warehouse Commission of Minnesota for 1913 (St. Paul, 1914, pp. 863). This contains a reprint of the decision of the federal Supreme Court in the Minnesota rate cases.

In May and June, hearings were held before the Committee on the District of Columbia on *Municipal Ownership of Street Railways in the District of Columbia* (pp. 543). Earlier in the year, on January 26, a hearing was held before the same committee on *Street Railways in the District of Columbia* (pp. 141).

Government Ownership of Telegraph and Telephone is the subject of a bulletin issued by the University Extension Division of the University of Washington. It is in substance an outline for debate (Sept., 1914, pp. 16).

The Bureau of Railway Economics has published as Bulletin 62 a *List of Publications Pertaining to Government Ownership of Railways* (Washington, 1914, pp. 75). A useful key shows the libraries in different parts of the country where the various books and pamphlets may be found.

Another recent bulletin is No. 66 on *Statistics of Railways, 1900-1912, in the United States* (Washington, 1914, pp. 75). This is

based upon the returns made to the Interstate Commerce Commission and the Bureau of the Census.

Mr. William J. Norton has prepared *Illinois Utility Commission and Municipal Ownership Law with Annotations, Marginal Notes, Index, Digest* (Electrical Review Pub. Co., Chicago, 1914, pp. 200, \$2). Reference by footnote is given to the source of law as it was adopted in Illinois.

From the Department of City Transit of Philadelphia is received *A Program for Rapid Transit Development. Universal Free Transfers* (May 27, 1914, pp. 16); and *Financial Aspects of the Program for Rapid Transit Development with Universal Free Transfers* (June 2, pp. 7).

Public utility laws of Massachusetts have been compiled in a pamphlet entitled *New Legislation of Especial Interest to Gas, Electric and Water Companies, and Municipalities Owning Lighting Plants* (Boston, 1914, pp. 93).

Labor

The Interstate Commerce Commission plans to change its tabulation of wage statistics. Employees will be classified in 68 instead of 18 occupational groups. Instead of wage or salary being measured by average daily amount, an hourly rate of earnings will be substituted. The average number of employees in service for each alternate month in the year will be reported instead of the average number in service on June 30. A distinction also will be made, in reporting salaries, between general and division officers. These changes will be of assistance to arbitration boards, who have to report upon the advisability of increase of wages.

The hearings held before the Committee on Merchant Marine and Fisheries of the House of Representatives on *The Seaman's Bill* (Washington, 1914, parts I and II, pp. 553, 587) contain abundant data with regard to the industrial conditions under which sailors labor.

The Bureau of Mines of the Department of the Interior, in Technical Papers 73 and 92, presents the statistics of *Quarry Accidents in the United States During 1912 and 1913* (Washington, 1914, pp. 45, 76).

The federal Bureau of Labor Statistics has issued the following bulletins relating to labor questions:

No. 137, *Wages and Hours of Labor in the Building and Repairing of Steam Railroad Cars, 1890 to 1912* (Dec 1, 1913, pp. 89).

No. 141, *Lead Poisoning in the Smelting and Refining of Lead* (Feb. 17, 1914, pp. 97) prepared by Dr. Alice Hamilton. Considerable space is given to the description of processes used in this industry with photographic illustrations. Statistical tables compare the experience of Great Britain, Germany, and Austria; and some statistics are given for scattered plants in the United States.

No. 142, *Administration of Labor Laws and Factory Inspection in Certain European Countries* (Feb. 27, 1914, pp. 310) by Dr. George M. Price. Analysis is made of the experience of Great Britain, Germany, France, Austria, Belgium, and Switzerland. Among the topics considered are specialization of functions; medical factory inspection; women inspectors; workingmen inspectors; promotion, tenure, and pensions; methods of inspection; and technical qualifications. The author believes that the superiority of European inspection over that of the United States is not due to the laws or standards set or the methods of inspection but to the higher grade and character of the force. "The rank and file of European inspectors are far above the rank and file of our own inspectors" (p. 25).

No. 144, *Industrial Court of the Cloak, Suit, and Skirt-making Industry of New York City* (Mar. 19, 1914, pp. 78), by Charles H. Winslow. This is a continuation of Bulletin 98 which dealt with the protocol or treaty of peace in the industry concerned. An account is given of the cases adjudicated by the board of grievances showing the nature of the complaints and the disposition of the cases.

No. 145, *Conciliation, Arbitration, and Sanitation in the Dress and Waist Industry in New York City* (Apr. 10, 1914, pp. 196). This also gives additional evidence in regard to the workings of the protocol. Effective diagrams and charts aid the reader in understanding this novel development of the principle of collective bargaining.

No. 148, *Labor Laws of the United States, with Decisions of Courts Relating Thereto*, Parts I and II (Apr. 10, 1914, pp. 2473). These cover the labor laws of all states. It is the fifth compilation, succeeding that of 1907. The plan of previous compilations, on the whole, is followed. Laws relating to workman's compensation are omitted.

No. 152, *Decisions of Courts and Opinions Affecting Labor, 1913* (May 14, 1914, pp. 304) prepared by Lindley D. Clark.

The Thirteenth Annual Report of the Commissioner of Labor of New York for 1913 (Albany, 1913, pp. 185-324), although a routine document, is of special interest as representing the work of reorganizing the state board. Under the new organization there is a force of 343 persons and a budget of more than \$600,000. Statistical tables relating to

complaints and prosecutions are detailed and illustrated by charts (pp. 184-185). There is also a section dealing with the immigrant private banks.

The commissioner of labor in the *Thirty-first Annual Report of the Department of Labor of Michigan* (Lansing, 1914, pp. 702) recommends that restaurants be brought under the 54-hour law.

The Department of Labor and Industry of Pennsylvania has printed *Labor Laws of Pennsylvania* (Harrisburg, 1914, pp. 38) in pamphlet form for the guidance of employers and employees.

The *First Annual Report of the Minimum Wage Commission of Massachusetts* covering the latter half of the year 1913 (Boston, Pub. Doc. No. 102, 1914, pp. 68) gives a survey of the minimum wage legislation illustrated by a chart showing the main divisions of minimum wage laws in the United States. It describes the activities of minimum wage commissions and contains two studies in regard to wages of women in brush factories and corset factories in Massachusetts. Reprints of these two studies are made in the first two bulletins. Bulletin No. 3 (Aug. 15, 1914, pp. 31) contains *Statement and Decree Concerning Wages of Women in the Brush Industry of Massachusetts*, being the report of the special wage board organized to report to the commission. The wage board was composed of six representatives from employers, six from employees, and three who represent the public. The recommendation of this board was, in effect, that the lowest time wage paid to any experienced female employee in the brush industry shall be 15½ cents an hour and that the rate for learners and apprentices shall be 65 per cent of the minimum; the period of apprenticeship shall not be more than one year. These findings were approved by the commission.

The Industrial Commission of Wisconsin has reprinted in pamphlet form *Child Labor Law with Explanatory Notes* (pp 20).

Under date of September 1, 1914, a report was made on *Unemployment in Oregon. Its Nature, Extent, and Remedies*, by Dr. Frank O'Hara, associate professor of economics in the Catholic University of America at Washington (pp. 39). Among the topics discussed are cyclical, seasonal, and casual unemployment, the reserve of labor, and remedies.

The United States Steel Corporation has published a brief pamphlet of six pages, a *Statement as to Wages, Hours, and Other Conditions of Labor among Employees of the United States Steel Corporation and Subsidiary Companies*.

Bulletins Nos. 7 and 8 of the Industrial Accident Board of Massachusetts continue the *Reports of Cases under the Workmen's Compensation Act Determined on Appeal by the Supreme Judicial Court*, July 1, 1912 to June 30, 1914.

The *First Annual Report of the Industrial Accident Board* (Boston, Pub. Doc. No. 105, pp. 336) includes a statistical digest of 89,694 accidents, statements of the causes of injuries and estimates of the cost of insurance under the new act. The report is illustrated with many charts and photographs.

Continuing the list of bulletins issued by the Industrial Accident Commission of Wisconsin, are to be noted:

Shop Bulletin No. 7, *Gear Accidents and their Prevention*; No. 8, *Elevator Accidents and their Prevention*.

The Department of Labor and Industries of Minnesota has published tables showing the *Compensation Payable under Minnesota Workmen's Compensation Law* (St. Paul, 1914). These tables are intended to serve the same purpose in computing compensation as an interest table serves in the computing of interest. From these it is possible to find the compensation to which any workman earning a wage rate, classified by groups, is entitled for either a fatal, a permanent, or a temporary injury.

A paper read by Frank Hasbrouck, superintendent of insurance of New York, before the National Convention of Insurance Commissioners, September 17, 1914, entitled *The Workmen's Compensation Situation in New York State*, has been printed in pamphlet form (pp. 17).

The Industrial Welfare Commission of Washington has published a report on *Wages and Conditions of Work and Cost and Standards of Living of Women Wage-earners in Washington*, prepared by Caroline J. Gleason (Olympia, Mar., 1914, pp. 111). These data were gathered in order to throw light upon the application of the minimum wage for women in that state.

Other reports dealing with labor questions are the following:

Union Scale of Wages and Hours of Labor in Massachusetts, 1913, Labor Bulletin No. 97 (Boston, 1914, pp. 72) which is part I of the *Annual Report on the Statistics of Labor* for 1914;

First Annual Report of the State Board of Labor and Industries (Boston, Pub. Doc. No. 104, Jan., 1914, pp. 64);

Report by the Civil Service Commission, City of Chicago, 1914. *Prison Labor and Management, House of Correction* (pp. 66);

The Workmen's Compensation Act (Toronto, 4 Geo. V., Chap. 25, 1914, pp. 51).

Money, Prices, Credit, and Banking

FARM LOANS IN OHIO. Ohio's interest in the rural credit problem is manifested by the publication of the results of recent official investigations, the most pretentious of which is the report of the Ohio members of the American Commission.¹ However, this report is given over chiefly to a discussion of European conditions, and is disappointing in its discussion of credit conditions in the state, to which it devotes but one page. The account of coöperation in the state is rather more satisfactory.

The report is interestingly supplemented by investigations recently undertaken by the state departments of banks and banking and of building and loan associations. The banking department procured a statement, as of September 4, 1913, of the amount of loans made by state and private banks in the state and secured by mortgages upon farm realty.² The department of building and loan associations has secured similar data, a summary of which has been furnished the writer in advance of publication.

Farm mortgage loans made by state and private banks aggregated \$25,455,663. The reports of building and loan associations are made as of different dates, and show a total of 7,737 such loans, amounting to \$15,223,173. The combined farm mortgage loans of banking institutions under state supervision were thus \$40,678,836.

It is, of course, impossible to measure the potential demand for farm mortgage loans in Ohio. The amount actually so loaned may be approximated, but competition does not work smoothly enough to make it probable that all succeed in borrowing who are willing to pay market rates and are able to offer good security. The census of 1910 reported a mortgage indebtedness of \$63,788,397 on 42,785 farms out of 44,780 operated by owner owning entire farm. The amount of unreported debt may be placed at about \$3,000,000. Of farms of this class, 27.5 per cent were mortgaged. Of partly owned farms operated by owners, 10,217 or 35 per cent were mortgaged. This would indicate a mortgage indebtedness on such farms of approximately \$15,000,000. There remain 2,753 farms operated by managers and

¹ *Report on Rural Credits and Coöperation* (Columbus, 1914, pp. 84).

² *Annual Report, Department of Banks and Banking, 1913*, especially pp. 9, 10. A compilation of these loans by counties was made, but not published in the report.

77,188 operated by tenants, for which the census gives no statistics of mortgage debt. The debt on farms operated by managers may be put at \$1,000,000. Probably a smaller proportion of leased farms is mortgaged than of the other classes, nor is it very likely that the debt on such farms was incurred for purposes of agricultural production. As a very rough guess, the debt on leased farms may be put at twenty or twenty-five millions of dollars. This gives an estimated mortgage indebtedness on Ohio farms of \$103,000,000 or \$108,000,000.³ Neglecting changes in indebtedness since 1910, it appears that banking institutions in Ohio provided about two fifths of these loans. The remainder came from individual lenders (sometimes merely through deferred payments to the vendors), from insurance companies, and from banks outside the state.

The supply of bank funds available for farm mortgage loans is restricted by legislation and by practice as to the extent to which resources may be so invested and as to the amount that may be loaned on any one property. Banks organized under the laws of Ohio may lend on real estate security only when, and to the extent, authorized by a general resolution adopted by a two thirds vote of the board of directors. The maximum extent to which such loans may be authorized

³The average size of farms has been neglected, but could result in no very considerable modification of this estimate. The average size of farms operated by owners was 83.5 acres; by managers, 183.3 acres; and by tenants, 98.1 acres. Mr. K. V. Haymaker has estimated the mortgage indebtedness on Ohio farms at \$220,000,000, basing his estimate on the statistics of recorded mortgages and on the assumption that the average life of such loans is five years (*Proceedings Ohio Building Association League*, 1913, p. 70). Further investigation has led him to conclude that the average term is four or four and one half years, and in a recent letter to the writer he places the amount of indebtedness between \$175,000,000 and \$200,000,000. It would appear that the statistics of recorded mortgages are not a satisfactory basis from which to estimate mortgage indebtedness in Ohio, chiefly because they neglect current payments of debt and cancellations of mortgages. During the five years ending June 30, 1913, the average amount of mortgages on agricultural lands annually recorded in Ohio was \$48,509,769, while cancellations recorded averaged \$34,277,004. The net average annual addition to the mortgage indebtedness on Ohio farms thus appears to be \$14,232,765, which would indicate an outstanding indebtedness of between \$57,000,000 and \$64,000,000, using Mr. Haymaker's conclusion as to the average duration of such loans. On the other hand, this figure is unquestionably below the true amount of farm mortgage indebtedness, since the rigid tax law of the state results in the withholding of many mortgages from record. The writer is disposed to believe that his estimate of \$108,000,000 is as close an approximation to the true figure as the available data will permit.

is, however, limited by statute to 50 per cent of the bank's combined capital, surplus, and deposits for commercial banks, 60 per cent for trust companies and for banks which do both a commercial and a savings bank business, and to 75 per cent for savings banks proper.⁴ These restrictions upon loans do not apply to the private banks of the state, although their business is now subject to supervision by the state banking department;⁵ nor are building and loan associations restricted in this regard.⁶

That these restrictions upon the lending power of state banks are not operative is apparent from the fact that they would permit an amount of real estate loans about two and one half times as great as that actually made. On the other hand, boards of directors often fix a lower limit than the law permits. To what extent this practice limits the power to lend on real estate security can not be gauged; but, all things considered, there seems little ground for the contention that existing institutions are not able to supply the demand for farm loans at current rates.

Quite as important as the limitation of the aggregate amount that may be loaned on real estate security are the restrictions on the amount that may be loaned on any one property. All classes of state banks (excluding building and loan associations) are forbidden to lend on realty in an amount which, inclusive of prior incumbrances, exceeds 40 per cent of the value of unimproved realty, or 60 per cent of the value of improved realty, the improvements on which must be kept adequately insured.⁷ Building and loan associations may lend at their discretion, but the general rule is to limit their loans to improved realty and not to lend in excess of 50 or 60 per cent of its value. Banks are not permitted to invest more than 20 per cent of their capital and surplus in any one loan, but commercial banks are exempt from this limitation in respect of first mortgage loans upon farm property.⁸ Finally, it may be mentioned that while national banks do not lend on real estate to any great extent, it is not an uncommon practice for those in the larger cities to rediscount real estate paper for the country banks, or to accept it as collateral security for a direct loan. In this way the lending power of the local banks is considerably augmented.

The number of loans made by building and loan associations on

⁴ Sec. 9756, 9765, and 9781, *General Code of Ohio*.

⁵ 103 *Ohio Laws* 379. Act of May 7, 1913.

⁶ Sec. 9657, *General Code of Ohio*.

⁷ *General Code of Ohio*, secs. 9758, 9765, 9781.

⁸ *Ibid.*, secs. 9754, 9790.

farm mortgages was 7,737. The average size of these loans was therefore \$1,967.58. The number of such loans made by the regular banking institutions was not ascertained. The superintendent of banks ventures the guess that their average size was in excess of \$2,000. These figures compare with an average incumbrance (for 42,785 farms) of \$1,491, as found by the census of 1910.

It is often asserted that the interest rates on farm loans are abnormally high. This view is held by the Ohio members of the American Commission, who state that rates run from 6 to 8 per cent excluding fees.⁹ It must be remembered, however, that interest rates on commercial loans in Ohio are rarely below 6 per cent.¹⁰ Moreover, loans to farmers are relatively unprofitable, since few borrowing farmers carry any considerable balance on deposit. In a state where commercial borrowers are ordinarily expected to maintain an average balance equal to 20 per cent of their outstanding loans, and where the average rate paid bank depositors runs from 3 to 4 per cent,¹¹ a rate much below 6 per cent on farm loans is not to be expected. Yet the rate not infrequently goes as low as 5½ per cent,¹² especially on loans made by building and loan associations, which commonly pay 5 per cent on stock and on most deposits. Smaller associations, however, frequently require a wider margin.

The attempt to tax mortgages at the full property tax rate in Ohio, without set-off to the mortgagor, has a bearing on interest rates which is often overlooked.¹³ Beyond question, interest rates are firmer in Ohio than they would be under some other methods of taxation, for the tax tends to restrict the supply of funds available for mortgage loans. The mortgage loans of banks are, indeed, not directly taxed, and building and loan associations are entirely exempt from taxation, except that shares on which no loans have been made are required to be listed as credits by their owners. The direct bearing of the tax system on loans by banking institutions is rather through the taxation

⁹ *Report on Rural Credits and Coöperation*, p. 37.

¹⁰ The average rate reported by 855 Ohio banks on June 30, 1910, was 5.94 per cent (*Report of the Comptroller of the Currency*, 1910, pp. 767-776). The rate on farmers' short-time loans in 1912 was 6.24 per cent; in 1913, 6.23 per cent (*Crop Reporter*, April, 1913).

¹¹ *Report of the Comptroller of the Currency*, 1910, pp. 767-776; 1913, pp. 740, 749.

¹² Loans by insurance companies are often made at 5 per cent plus commissions and expenses.

¹³ The rural credits commission recognized this influence in their recommendation that the exemption of mortgaged farms to the extent of the mortgage be considered (*Report*, p. 47).

of deposits. These are taxable as moneys, that is, without offset for debts, if the deposits are repayable on demand, either by contract or by practice; if in fact time deposits, they are taxable as credits. Although the assessment of such property has hitherto been farcical,¹⁴ the liability to taxation is thought by bankers to have an influence on the interest rate on deposits, and through that upon the loan rate. In view of these considerations, it does not appear that the rate of interest on farm loans in Ohio is excessive.

The time for which farm loans run varies greatly with the purposes of the loan and the character of the lending institution. Commercial banks rarely lend for longer periods than six months, although renewals are freely made, particularly if the principal is somewhat reduced. There is frequently a tacit understanding that renewals will be made, although bankers are somewhat reluctant to admit the existence of such arrangements. Probably the more conservative bankers do not hold out very much hope of renewals to borrowers, but the small country bankers generally do. In this manner, commercial banks make what are really long-term loans, although the borrower has not complete assurance of their duration. Savings banks frequently lend for longer periods, but building and loan associations seem to be in the best position to make long-term loans. "Straight" loans running for five or ten years, interest payable semi-annually, are common; and on these the renewal policy is liberal. Repayment plans are also flexible. Payments may be made at any time and the interest charge reduced at once; although some associations stipulate that the minimum payment shall be \$100. Amortization plans vary considerably, but the most usual is a semi-annual payment equivalent to the interest for the first six months. Thereafter, the payment on principal increases automatically as the interest declines, so that the average loan at 6 per cent is repaid in about 12 years. In some cases the term is as much as 16 or even 19 years.¹⁵ It is obvious that this method admits of abuse. Under it the true rate of interest has sometimes been very high. The point of immediate interest, however, is the extent of the application of this method in Ohio, and its possibilities of further extension.

It has previously been noted that farm loans by building and loan associations in Ohio now aggregate \$15,223,173. Some associations

¹⁴ Under the appointive assessor system now in vogue, the assessment promises to be much more effective.

¹⁵ See *Farm Loans by Building Associations*, by K. V. Haymaker; and also *Hearings on Rural Credits*, pt. 3.

have been lending on farms for two decades or more, but only 8 per cent of all building association loans are on farm realty. The encouraging thing in the situation, however, from the point of view of the farmer, is the steady growth of the business. The rate of increase in mortgage loans and in total assets has been about 10 per cent for each year from 1909 to the present.¹⁶ A considerable part of this increase has beyond question been in the farm mortgage loan, which has furnished the outlet for surplus funds. So long as the wealth of the state increases and the associations maintain their present reputation for honesty and stability, the surplus funds may be expected to grow. Moreover, these surplus funds often inure in a special manner to the benefit of the farmer, since many associations lend them outside their home county at reduced rates, in order not to "spoil" their home market. While fees on these distant loans are somewhat higher, they do not ordinarily offset the reduction in the rate. It is to be observed further that the operation of the federal reserve act is likely to increase the supply of funds offered on the security of farm mortgages, not alone because of the permission given to national banks to lend on farm land, but also because rural banks may often find it profitable to rediscount with their reserve bank and thus secure additional funds for investment.

No general investigation of short-time loans to farmers on personal or chattel mortgage security has been made in Ohio. Building and loan associations are not permitted to lend on personal security alone,¹⁷ but banks in rural communities and the smaller cities do a considerable volume of this business. The superintendent of banks and his deputy, both of whom have had much experience as bankers and bank examiners, agree in the opinion that farmers who own their farms have in most sections of the state little difficulty in borrowing on their personal notes at the usual rates. Often the farmer's wife is also asked to sign the note, but ordinarily no further security is required. In spite of occasional lack of punctuality in meeting their obligations, these notes are generally considered good, and cause a relatively insignificant loss. It must not, of course, be inferred that all Ohio farmers have such good credit. In this branch of the farm loan business, again, the supply of loanable funds is likely to be increased through the operation of the reserve bank system, which permits the redis-

¹⁶ *Annual Report of the Inspector of Building and Loan Associations*, 1912, p. 18.

¹⁷ This is merely an administrative ruling. *Laws of Ohio relating to Building and Loan Associations*, 1912, p. 15 (pamphlet).

count of agricultural paper, a limited amount of which may have a maturity not exceeding six months.

From the information at hand, it thus appears that the rural credit situation is now being reasonably well cared for in Ohio, and that it promises to be better cared for in the future. Loans to tenant farmers form the only important exception to this statement. Tenants must depend on accommodation signatures to their paper, and there are doubtless many worthy cases where this method is not practicable. Yet it is difficult to see how to remedy this defect except at the sacrifice of some measure of security. Something might perhaps be accomplished by a further development of the building association idea or by mutual savings banks. For the further extension of land-mortgage credit, the best way would seem to be the use of established institutions. Just as the building associations are in some measure becoming assimilated to the savings banks, so the latter might well follow the building associations by adopting amortization plans in Ohio, as already in some other states. Such measures as these, together with the adoption of more equitable methods for the taxation of intangible property, would seem likely to meet the situation in Ohio better than a system of federal rural banks.

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The speech of Representative Carter Glass on "The location of regional reserve grants" in the House of Representatives, April 8, 1914, may be found in the *Congressional Record* for April 23, 1914, pages 7727-7741. In this a defense of the districting by the organization committee is made with statistical tables showing votes of banks in different districts and also the business operations of different cities.

Hearings before the Senate Committee on Banking and Currency on Regulation of the Stock Exchange (Washington, 1914, pp. 943) includes statements made by Horace White and Edward D. Page of the New York Hughes Commission, Professor Emery, Charles A. Conant, representatives of the New York Stock Exchange, Samuel Untermyer; and reprints of constitutions and by-laws of a few of the exchanges.

The address of Mr. John Harsen Rhoades before the Massachusetts Savings Bank Treasurers' Club on *Savings Bank Accounting* has been reprinted. This deals with investment values or present cost versus market values (Boston, May 22, 1914, pp. 13).

Reports of bankers' associations have been received as follows:

Proceedings of Twentieth Convention of California Bankers' Association, 1914 (Frederick H. Colburn, secretary, San Francisco, pp. 249);

Proceedings of the Kansas Bankers' Association, 1914 (W. W. Bowman, secretary, Topeka, pp. xiv, 245);

Convention Proceedings of the Louisiana Bankers' Association, 1914 (L. O. Broussard, secretary, Abbeville, pp. 125);

Maryland Bankers' Association, Nineteenth Annual Convention, 1914 (Charles Hahn, secretary, Baltimore, pp. 130);

The New Mexico Bankers' Association, Third Convention, 1913 (J. C. Christensen, secretary, Raton, pp. 60);

West Virginia Bankers' Association, Proceedings of the Twentieth Annual Convention, 1913 (Joseph F. Hill, secretary, Charleston, pp. 152);

Wisconsin Bankers' Association, Twentieth Annual Convention, 1914 (George D. Bartlett, secretary, Milwaukee, pp. 194).

Bulletin No. 140 of the federal Bureau of Labor, *Retail Prices, 1890 to December, 1913* (Washington, Feb. 10, 1914, pp. 175), is a continuation of the series of price reports, supplementing No. 138.

The Commonwealth Bureau of Census and Statistics, Australia, in the June *Labour Bulletin*, gives a report of a further investigation into the relative cost of living based upon returns obtained in one hundred towns. A quotation descriptive of the method used follows:

The price of each commodity and the house rents in each town were multiplied by their corresponding "Mass Units," which represent the relative usage. The sum of these results gives the aggregate expenditure on each group. In order to ascertain the average aggregate expenditure for each state the aggregate expenditures obtained for all towns in each state were multiplied by the population of the respective towns. In view, however, of the fact that the total populations of the towns included in the investigation in each state were not proportional to the total populations of the states, in order to ascertain the weighted average expenditure for the whole commonwealth, the weighted average expenditure for each state was weighted by a number representing the total population of the state, and not merely the total population of the towns included. In this way the aggregate expenditure for the commonwealth was computed. This aggregate expenditure being taken as base, and made equal to 1000, the index-numbers for each town and state were computed to that base. If it be desired to take any particular state or town as base (= 1000) the corresponding index-numbers can be readily obtained by dividing by the index-number of the town which it is desired to take as base and multiplying by 1000.

Public Finance, Taxation, and Tariff

THE EIGHTH NATIONAL CONFERENCE ON TAXATION was held at Denver, Colorado, September 8-11, 1914. More than 200 delegates, representing 36 states and 13 colonies, were present. In the president's address, Professor E. R. A. Seligman presented the fundamental forces that are making for progress in tax reform, and set forth the following tendencies as the expression of progress to be drawn from the world-wide changes in fiscal theory and practice:

(1) The personal tax is giving way largely for administrative reasons to the real tax or specific tax. Side by side we find the tendency to reintroduce personal responsibility through personal taxes.

(2) The development from local to general taxation.

(3) The movement from property as the basis of taxation to the produce or yield of the property.

(4) The transition from the older theory of benefits in taxation to the newer theory of faculty.

(5) The tendency in taxation away from individual to social considerations as manifested in the movement toward progression or gradation in our income taxes; also in the differentiation between earned and unearned incomes.

In conclusion, Professor Seligman pointed out the following as the principal lessons applicable to practical tax reform in the United States: (1) The administrative lesson involving the transition from local to general control; (2) the tendency toward the separation of state and local revenue through the principle of segregation of sources; (3) the necessity of freeing ourselves from our attachment to the property tax; (4) the advisability of attempting to make use of the federal administrative machinery for the purpose of avoiding present complications of interstate taxation; (5) the necessity of group or associated action among the states.

Representatives of three prominent groups of financial interests presented papers as follows: "Taxation of express companies," by S. T. Bledsoe, counsel for the Wells Fargo Express Company; "Taxation of foreign corporations with special reference to license fees," by J. F. Zoller, tax attorney for the General Electric Company; and "Taxation of securities," by W. Hastings Lyon, counsel to committees, Investment Bankers' Association of America. Mr. Bledsoe advanced the proposition that but one value should be established both for purposes of taxation and for those of business and finance. This suggestion is akin to another advanced not only in the conference, but in many states during the last few years, *viz.*, that the value of real estate for purposes of taxation should be identical with its commercial value; and that this identity should be obtained through the enactment of

statutes requiring the statement of actual consideration in deeds. The practicability of Mr. Bledsoe's proposition seemed to be doubted by many present, although the idea of stating true consideration in deeds met with favor. Mr. Lyon pointed out that whatever the difference in the legal status of stocks, bonds, and mortgages, they occupy the same economic basis, especially for purposes of taxation. He further suggested that no sound reason could be advanced for taxing the same security at different rates in different states, inasmuch as the security, unlike other forms of property, does not vary in price in different states according to local conditions, its market being national or international.

The discussion of the federal income tax was followed with keen interest. Three excellent papers were read: "The federal income tax law," by Professor Charles J. Bullock, of Harvard University; "Simplification of the federal income tax law," by A. C. Rearick, of New York City; and "Administrative problems of the federal income tax," by Luther F. Speer, Deputy Commissioner of Internal Revenue, Treasury Department, Washington, D. C. That a considerable difference of opinion concerning the merits and success of the federal income tax prevails throughout the country was clearly shown in this discussion.

The principle of collection at source was sharply criticised. Professor Bullock and others pointed out the immoral effect of collecting at the source, and Professor T. S. Adams suggested that experience with the income tax of Wisconsin promised well for honesty of the average tax-paying American whenever the tax imposed is a reasonable one. On the other hand, Professor Seligman suggested that the federal income tax had been criticised too severely. He granted that the law was not perfect, but defended the principle of collection at source upon the ground that in a debtor country like the United States, in which many of the securities are held by foreigners or Americans living abroad, the only possible way of taxing a considerable amount of income is by collecting at the source. He further stated that the principle of information at the source entailed as much difficulty, and had no different moral effect from that of collection at source.

The high exemption of the present law was attacked. The familiar criticism that the income tax is undemocratic and unjust inasmuch as it applies to such a slight percentage of the total population was brought forth with renewed vigor. It was pointed out by Mr. K. K. Kennan that the federal law contains the highest exemption in the world, and that the American exemption is not less than eight times as high as the average of the world income tax laws. Inasmuch as

the lowering of the exemption would throw upon those in charge of its administration an enormous increase in detail work, and inasmuch as the law has had such a comparatively short time to work itself out, many of the delegates felt the wisest course would be found in deferring amendments until the full effect of the law could be determined. However, a committee was appointed for the purpose of aiding the federal authorities in case a revision of the law should be decided upon.

In the session on the problem of increasing public expenditures and the means to their reduction, John L. Coulter, expert in charge of Wealth, Debt, and Taxation of the Census, explained methods and offered interpretation of the statistical data in the field of governmental expenditures. This indicated that the increase in cost of government is not simply local or sectional but national in scope, and that no large division of the United States offers an exception to this statement. Dr. Coulter admitted that his computations rested upon the value of the dollar of twenty years ago, and stated that he had no means of knowing how much the real as opposed to the nominal expenditures had increased.

Professor T. S. Adams made a preliminary report of the Committee on Increased Public Expenditures, noting these facts: Expenditures have increased more rapidly than population, and in all probability more rapidly than wealth or income; taxes have become a handicap to industry and a noticeable deterrent to enterprise and investment; probably a majority of the electors pay no direct taxes; while we can not hope to stop the general increase in expenditures, great opportunities for saving exist within the lines of present American government; one fundamental and costly defect is found in the dispersing of power and responsibility; the burden imposed by increasing public expenditures is aggravated by the methods employed by federal, state, and local governments; growing out of our system of taxing investment and realized wealth instead of income, we place too heavy burdens upon new enterprises that have not reached the dividend stage; further extensions of governmental activity should be financed out of savings. The more important recommendations of the committee are:

(1) The Census Bureau should publish annually for a selected group of states, counties, towns, villages, and cities, statistics of expenditure, taxation, public debt, and wealth.

(2) All political subdivisions of each state should publish annually a brief statement showing the increase or decrease of expenditures, receipts, taxes, etc.

(3) To measure governmental performance and ascertain where economies

may be introduced, national and state governments should establish bureaus of efficiency properly manned and equipped.

(4) Political changes, such as short ballot, a single legislative chamber, etc., are necessary.

(5) A national taxpayer's efficiency association should be organized.

(6) Tax limitation laws, similar to those existing in Colorado should be enacted in every state.

By no means was the least interesting session the one devoted to the single tax. However, the discussion turned not so much upon the theoretical as upon the practical application, with special reference to the Canadian West and the City of Pueblo, Colorado. The following papers had been prepared: "Taxation in the western provinces of Canada," by A. B. Clark, Winnipeg, professor of political economy, University of Manitoba; "The progress of land values taxation in western Canada," by F. J. Dixon, Winnipeg, Manitoba, secretary Land Values Taxation League; "Experiments with the single tax in western Canada," by F. C. Wade, K. C., Vancouver, B. C.; "The single tax in Pueblo and progress of single tax movement in Colorado," by G. J. Knapp, Colorado Springs.

A substantial contribution to the subject was made by Dr. R. M. Haig, of Columbia University, who had just returned from an extended investigation in western Canada. In his opinion, the effects of the single tax had been greatly overemphasized, both by its advocates and its opponents. He showed clearly that while insufficient revenue had resulted in some towns, on the whole the tax was neither responsible for the hard times that had struck some of the towns nor for the rapid development of others. Especially interesting were the results of his investigation as to popular understanding of the question: whole majorities in some communities that had accepted the single tax showed little evidence of any fundamental grasp of its meaning.

Other papers given during the conference were:

(1) "Tax legislation in the past year," by M. M. Flannery, chief of Tax Division, Bureau of Corporations, Washington, D. C., calling especial attention to the important steps taken by Massachusetts through revenue means to protect forests; and to the centralization of administration in Maryland.

(2) "Taxation of irrigated lands," by Hon. Frank C. Goudy of Denver, in which the difficulty of valuing such lands was set forth.

(3) "Taxation of metalliferous mines," by C. M. Zander, chairman, Arizona Tax Commission, which presented clearly the arguments for the ad valorem system as opposed to the tax on product.

(4) "Summary of recent activities of state tax associations," by Mr. George Lord of Detroit—an excellent summary indicating much recent progress in public education in tax matters.

(5) In the round table discussion many fruitful suggestions in the line of efficient administration were made.

At the annual business meeting of the National Tax Association most of the former members of the executive committee and all of the following officers were unanimously re-elected: honorary president, Allen Ripley Foote, Columbus, Ohio; president, Edwin R. A. Seligman; vice-president, Samuel T. Howe; treasurer, Alfred E. Holcomb; and secretary, Thomas S. Adams, Madison, Wis. The next conference will be held in San Francisco.

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INCOME TAX RECEIPTS AND RULINGS. The first year's operation of the new federal income tax has brought some unexpected as well as some expected results. Paradoxical as it may sound, among the expected results have been many unforeseen administrative problems and, consequently, an almost continuous flow of interpretations and rulings from the office of the Commissioner of Internal Revenue. The most important disappointing result is that the receipts fell considerably short of official and popular estimates, though not greatly below the expectations of some of the more or less well-informed.

The final report of the commissioner for the fiscal year ending June 30, 1914, will not be published until some time in December, but a preliminary report, issued under date of July 30, gives an approximately accurate summary of receipts, though very few details. The income and corporation excise taxes collected up to June 30 amounted to \$71,381,275, a little less than one fifth of the total internal revenue or one tenth of all ordinary federal receipts, excluding postal receipts.

It will be recalled that the income tax did not apply to incomes received prior to March 1, 1913, that is, most of the receipts represent taxes on incomes for the ten months ending December 31, 1913. The "corporation excise tax" of 1909 was extended so as to cover the months of January and February, 1913, and the taxes upon corporate income after that time are designed as "corporation income taxes." Collections of back taxes due under the 1909 law are included with the "corporation excise taxes." According to the preliminary report, the collections up to June 30 were as follows:

Corporation excise tax.....	\$10,671,077
Corporation income tax.....	32,456,663
Individual income tax.....	28,253,535
Total	\$71,381,275

This makes the combined taxes upon corporations total \$43,127,740 as compared with \$35,006,300 in 1913, \$28,500,000 in 1912, \$33,500,000 in 1911, and \$21,000,000 in 1910. The increase during the past

year can be accounted for largely by the withdrawal of the \$5,000 exemption for each corporation and the inclusion of holding company profits. As for the receipts from corporations, we may expect only gradual increases from year to year, with some decreases for years of depression.

The individual income tax collections up to June 30 were distributed as follows:

Income tax, normal							\$12,728,038
Income tax, additional:							
Net incomes above \$20,000 and not above \$50,000							2,934,754
"	"	"	50,000	"	"	75,000	1,645,639
"	"	"	75,000	"	"	100,000	1,323,022
"	"	"	100,000	"	"	250,000	3,835,948
"	"	"	250,000	"	"	500,000	2,334,583
"	"	"	500,000				3,437,850
Offers in compromise, etc.							13,699
Total							<u>\$28,253,535</u>

These returns are exceedingly disappointing. To mention only one class, the rich men of the United States are much less rich than they are reputed to be, or their investments are largely in government exempt bonds, or their rates of return are exceedingly small, or they have not reported their total taxable incomes. To take an extreme case, one man with property worth \$700,000,000 yielding 5 per cent, or \$35,000,000, of taxable income should have paid an additional tax of over half the total actually collected from all of those having incomes of over half a million. Perhaps there is no such individual in the United States but we have been greatly misled if a dozen men whom many could name should not have paid more than was actually collected from the total number in this class. Lack of space forbids going into details, but similar inferences can be made regarding those with smaller incomes.

The receipts from individuals may be expected to increase considerably for several years. As mentioned above, the first collections were for five sixths of a normal year. In the cases of persons receiving quarterly payments, say on the first of April, July, October, and January, last year's tax would apply to receipts of seven months only, those for the last three months of the year being due January 1, 1914, and not returnable for taxation till 1915. More important than any of these considerations in its effects upon future receipts should be improved administration due to the cumulative aid of records and experience. Taxes are proverbially slow in reaching their maximum yields. This was true of the 1909 corporation tax and even more

conspicuously true of the Civil War income tax. Many other confirmatory illustrations might be cited.

The following table shows the territorial distribution of a few of the largest as well as a few of the smallest contributors:

	Corporation excise tax	Corporation income tax	Individual income tax
New York	\$2,318,311	\$7,447,600	\$12,522,797
Pennsylvania	1,452,511	4,643,794	3,176,095
Illinois	1,141,536	3,152,113	2,076,171
Massachusetts	550,531	1,447,648	1,505,885
Michigan	530,477	1,045,745	1,018,220
New Jersey	334,181	1,191,468	716,756
Missouri	333,624	1,030,968	657,058
Minnesota	325,615	1,183,977	372,527
California	555,080	1,494,591	880,374
Alaska	1,075	4,682	2,427
Wyoming	13,022	48,124	7,533
South Dakota	9,174	40,824	12,351
Vermont	9,660	39,114	89,356

As was expected, the larger contributors are the states having the largest cities, especially those furthest along in industrial and commercial development. California is the only large contributor from the far West. Though most of the smallest contributors are the undeveloped states of the same section, the Southern states are conspicuously below the average.

It is to be hoped that much more detailed information about receipts and returns will be made available in future reports, in regard to sections and especially in regard to classes of individual incomes. We might thus secure valuable aid for the determination of the distribution of incomes in the United States, a matter of no small theoretical and practical importance.¹

The income tax rulings which have been issued during the year have been not only numerous but also wide in their range of matters treated. Not only inexperience, but also the fact that only four weeks elapsed between the enactment of the law and its going into effect, made the issuance of permanent and satisfactory rulings very difficult, in fact, impossible in many cases. All of the many rulings promulgated during the last months of 1913 were included in, or superseded by, Regulations No. 33, a 127-page booklet issued by the Commissioner of Internal Revenue under date of January 5, 1914. Besides most of the text of the law (26 pages), this booklet contains

¹ Since this was written, the Secretary of the Treasury has given out some additional data relative to the distribution of incomes.

199 "articles" of "regulations" (61 pages) and a very full index (37 pages). Many other rulings have been issued from time to time since then, the last one at the present writing being under date of October 3, 1914 (T.D. 2022). Obviously, it will be impossible to mention more than a few of the more important ones in this note.

The handling of profits and losses due to appreciation and depreciation of capital assets has been an especially difficult administrative matter and has called forth rulings not entirely consistent with economic principles and, indeed, not wholly consistent among themselves. In the instructions to individuals (Form 1040), it is held that the estimated advances in value of real estate need not be returned as income unless taken up on the books of account. In Article 107 (Regulations No. 33), it is held that gross income of corporations and companies embraces "appreciation in values of assets, if taken up on the books of account as gain; also profits made from the sale of assets, investments, etc." Article 111 takes cognizance of "an annual adjustment of book values of securities, real estate and like assets." This apparently has reference to corporations in general as the articles immediately preceding deal with insurance, manufacturing, mercantile, and miscellaneous corporations and companies. Article 147, which has especial reference to insurance companies, also provides for the adjustment of the book values of securities.

On the other hand, a ruling of July 8, 1914 (T.D. 2005), applying specifically to the taxable income of both corporations and individuals, holds that the term "depreciation" in the law has reference to deterioration of physical assets and not to any shrinkage in the value of bonds, stocks, and like securities due to fluctuations in market value. Furthermore, that "loss [as distinguished from 'depreciation'] to be deductible must be an absolute loss, not a *speculative* or *fluctuating* valuation of continuing investment; . . . it must be incurred in trade and be determined and ascertained upon an actual, a completed, a closed transaction."

A ruling of June 2, 1914 (T.D. 1989), was made in response to inquiries as to whether losses resulting from the sale of real estate by individuals are properly deductible from gross income. Here it is held that the statute provides for the deduction of certain specifically enumerated losses and that others are not to be included. The language of the statute is, "losses actually sustained during the year, incurred in trade or arising from fires, storms or shipwreck, and not compensated for by insurance or otherwise." The ruling holds that "in trade" is synonymous with *business* and that "the doing of a

single act incidentally or of necessity not pertaining to the particular business of a person doing the same will not be considered engaging in or carrying on business."

In Article 109 (Regulations No. 33), it is provided that realized profits or losses, that is, those arising from actual sales of assets, may be prorated according to the length of time owned. For example, if a corporation bought land or other assets January 1, 1907, and sold it January 1, 1917, at a profit of \$100,000, four fifths or \$80,000 would have to be returned as taxable income for the year 1917 if the increase had not already been taxed through adjustment of book values. January 1, 1909, is taken as the basing data, as it was in the case of the corporation excise tax of 1909. It is assumed that one fifth of the increased value is attributable to the two years before that date, hence not taxable. If the above principle is to be applied to individuals, March 1, 1913, would be the logical basing date, but even then, considerations of exemptions and the additional tax would make it important not to lump all of the increase in the return of a single year.

Following are some of the other more important rulings having particular reference to corporations, though doubtless some of them would be applied to firms and individuals. Pensions to employees or to their families, or payments on account of injuries, but not gifts or gratuities, are deductible from gross income as ordinary and necessary expenses (Art. 120). Donations limited to hospitals, charitable and educational institutions for employees are likewise deductible (Art. 121). Reserves for insurance are not deductible, though actual losses are, and reserves for depreciation may not be diverted to other uses (Arts. 122 and 132). Values of bonds purchased or issued above or below face value may be adjusted annually so as to make book value gradually approach par, or maturity value (Art. 135). No claim for depreciation of good-will will be allowed (Art. 136). With respect to the depreciation of patents, one seventeenth of the "cost" is allowable as a proper deduction each year until the total cost has been returned. In case of obsolescence, the "unreturned cash investment remaining in the patent" may be deducted in a single annual return (Arts. 137, 138).

Claims for depreciation of natural deposits must be based upon actual cost. Unearned increment will not be considered (Arts. 141, 146). Where corporations have issued bonds exceeding the amount of capital stock, upon which excess only half of the interest may be deducted, they are allowed the privilege of deducting first the interest on those bonds bearing the highest rates. Thus the part which they

cannot deduct arises from the lowest interest rates (Art. 151). The end of the year is the date taken for income tax computations involving amounts of capital stock and indebtedness, though either or both may have been very different at other times of the year (T.D. 1960).

The net result of several rulings relative to insurance companies seems to be that they will have to pay taxes upon only the excess of premiums over expenses of conducting business and amounts paid out on policy contracts, plus a tax upon interest received upon such excess. In some cases, legal reserve requirements will serve to exempt companies from part or all of even these comparatively small amounts (Arts. 5, 100-102, 147).

Paragraph G of the statute provides that the act shall not apply to labor or agricultural organizations, or mutual savings banks not having a capital stock represented by shares, "nor to domestic building and loan associations, nor to cemetery companies, organized and operated exclusively for the mutual benefit of their members," nor to certain other specified organizations. Article 80 (Regulations No. 33) holds that "every corporation not specifically enumerated as exempt shall make the return of annual net income required by law whether or not it may have any income liable to tax." It holds further that mutual telephone and insurance companies

and like organizations, although local in character, and whose income consists largely from [sic] assessments, dues, and fees paid by members, do not come within the class of corporations specifically enumerated as exempt. Their status under the law is not dependent upon whether they are or are not organized for profit. Not coming within the statutory exemption, all organizations of this character will be required to make returns of annual net income, and pay any income tax thereby shown to be due.

It is held that building and loan associations issuing different classes of stock upon which different rates of interest or dividends are paid do not come within the exempted class (Art. 87). Coöperative dairies not issuing stock and allowing patrons dividends based on butter fat in milk are not liable to the tax (Art. 92). Limited partnerships are held to be corporations within the meaning of the statute and subject to the income tax as corporations (Art. 86). Contrary to a former ruling, it is now held that irrigation, drainage, and other reclamation districts, organized and issuing bonds in pursuance of state laws, are political subdivisions of a state and hence that the interest on their bonds is exempt (T.D. 1946).

Several new rulings and instructions affecting withholding debtors and agents have been issued and many of the forms of ownership

statements, exemption claims, and income returns have been revised with the intention of lessening the inconvenience to all parties concerned, but it would take too much space to go into the details of such changes, important though they are.²

By order of the President, the Secretary of the Treasury has been authorized to permit any bona-fide stockholder to inspect the returns of his corporation and any person may inspect the returns of any corporation whose stock is listed on a stock exchange or advertised in the press or offered for sale to the public by the corporation itself (Executive order, T.D. 2016).

In claiming the specific exemption of \$3,000 or \$4,000, the single or married status of the claimant is determined as of the time of the claim if made within the year for which the return is made, otherwise the status at the close of the year (Art. 10). Non-resident aliens are not allowed this specific exemption and they are also subject to the additional tax (Art. 8 and T.D. 2013).

A ruling of August 25 (T.D. 2017) holds that "interest on bonds and dividends on stock of domestic corporations owned by non-resident aliens, whether such bonds and stock be physically located within or without the United States, are not subject to the income tax." This is ambiguous. Presumably it means that dividends on such stock are not subject to any tax other than the normal tax paid by the corporation upon its net income. Even this seems to contravene both the law and a former ruling relating to the additional tax. To make the dividends exempt in the sense that interest on bonds is exempt would be even a greater contravention.

The United States Supreme Court has held that a state may not tax non-resident bondholders of its own corporations, though it may tax the non-resident stockholders, arguing that a tax on capital stock is a tax upon the corporation and hence within the jurisdiction of the state, but that a tax on bonds is not a tax upon the corporation but upon the holders of the bonds and hence beyond the jurisdiction of the state in so far as non-resident bondholders are concerned, and this notwithstanding the fact that taxes upon both are collected from the domestic corporation itself. In another case involving the federal income tax of the Civil War period, the same tribunal held that the tax was valid, even though the dividends or interest were withheld from a foreign stockholder or bondholder.³

² See especially Regulations No. 33, arts. 46, 50, 67, 70-75; and T.D., 1965, 1976, 1977, 1997.

³ For discussion of this anomalous legal situation see Seligman's *Essays on Taxation*, eighth edition, pp. 285-289, and cases cited therein, especially 15 Wall. 300 and 106 U.S. 327.

Of course, the first year is not only the most disappointing in the yield of such a tax as our new one but it is also the most difficult and trying in administration. The officials in charge have already pointed out some desirable changes and are planning to make recommendations to Congress. Both the administrators and the legislators will doubtless take cognizance of the criticisms and suggestions provoked by the first year's experience and the law will gradually be adjusted and perfected.⁴

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The Bureau of Corporations has published *Taxation of Corporations*, pt. V, *Mountain and Pacific States* (Washington, Sept. 8, 1914, pp. xiii, 236), which compares the various tax systems including administrative methods and financial results. California is notable for the amount collected from corporations and also for its recent change in assessing mortgaged property. This group of states is also of interest in illustrating methods of valuing mining property. Attention is called to the minute provisions of state constitutions in controlling taxation. One more part remains to be published covering the Southern states.

Bulletin No. 551 issued by the Tax Reform Association (29 Broadway, New York) presents the customary review of tax legislation in the various states for 1914. Special details are given for New York, Maryland, Massachusetts, New Jersey, and Virginia. Bulletin No. 552 summarizes the proposed tax amendments to state constitutions.

The University Extension Division of the University of Washington has prepared a useful bibliography on *Taxation of Land Values* (Seattle, Sept., 1914, pp. 20).

Of interest to students of local finance are pamphlets issued by the Nebraska Legislative Reference Bureau. Bulletin No. 4 (Lincoln, May 15, 1914, pp. 47) deals with *Reform of Legislative Procedure and Budget in Nebraska*. Bulletin No. 5 (June 1, 1914, pp. 74) is

⁴It may be of interest to note that the National Tax Association devoted one of the sessions of its last annual conference (Denver, Sept. 10, 1914) to the national income tax, this being the first time it has ever discussed federal taxation, heretofore confining its attention to state and local taxation. The American Bar Association, which held its meeting at Washington (Oct. 20-22) is to have a 25-page report from its committee on taxation dealing exclusively with the federal income tax. An early issue of the *Annals of the American Academy of Political and Social Science* is to be devoted to tax reform, including income-tax reform.

entitled *Nebraska Municipalities* and is prepared by Addison E. Sheldon and William E. Hannan.

Reports of state tax commissions have been received as follows:

Third Annual Report of the New Hampshire State Tax Commission. General Statutes Relating to Taxation in Force January 1, 1914 (Concord, 1914, pp. 148);

Report of the State Tax Commission of Alabama, for the fiscal year ending September 30, 1913 (Montgomery, 1913, pp. 120);

Fifth Report of the Tax Commissioner of the State of Texas, for the year 1913 (Austin, 1914, pp. 106);

Report of the Conference of the Tax Commission, Boards of Supervisors and County Assessors of the State of Arizona, July 28-August 2, 1913 (Phoenix, 1913, pp. 255).

Social Problems

HOUSING REPORTS. A most important report, the only convenient and accessible summary of height restrictions and districting in American cities, is the *Report of the Heights of Buildings Commission to the Committee on Height, Size and Arrangement of Buildings of the Board of Estimate and Apportionment of the City of New York* (New York, 1913, pp. x, 295). In February, 1913, the board established a subcommittee on heights of buildings, of which Mr. George McAneny was made president; and the subcommittee in turn appointed an advisory commission which submitted this report. Mr. George B. Ford, architect and author of city planning reports to Newark and Jersey City, was made director of investigations. Hearings were held and opinions of specialists were sought and discussed. Special investigations were also carried on in Canada and Europe.

The text of the report, which is amply illustrated with maps and diagrams, outlines the existing distribution of high buildings and their effect upon public safety, health, and comfort, and upon property values; and then considers methods of controlling heights of buildings. Regulations are classified as to whether they are uniform for all buildings, vary with the class of building, vary with the particular district, are based upon street width, or are based on the maintenance of a minimum angle of light. The constitutionality of height regulations and of districting is carefully discussed. The experience of Boston, Baltimore, Indianapolis and Washington, and residential districting in New York state, Massachusetts, Minnesota, Wisconsin, and four American cities, is considered. A special chapter is devoted to Fifth Avenue conditions.

The commission finds conclusive evidence of the need of greater public control over building developments. Cases are found where high buildings have destroyed the rentable value of neighboring buildings; light and air have been shut off; streets have become inadequate; business districts have had property values impaired by the encroachment of factories; residential districts have suffered property losses through the coming of stores and apartment houses. These conditions are found in the Bronx and Brooklyn as well as in the lower East Side.

The restrictions recommended limit the height of buildings at the street line to twice the width of the street, but such limit shall not in any case be less than 100 feet nor more than 300 feet. After reaching such a height the building may be carried higher by setting the street walls above such limit back one foot for each four feet of increased height. . . . Every building may cover the entire lot up to the first story. Above such first story 10 per cent of every interior must be left vacant. . . . [As an exception to the height regulations] a tower may be erected to any height, provided it does not cover more than 25 per cent of the lot, and provided every part of the tower is kept at least 20 feet from the lot and street lines.

The new regulations do not apply to tenement houses, hotels, theatres, or to church spires, existing laws and ordinances in relation to tenement houses, hotels, and theatres being considered adequate.

In addition, the commission recommends that the Board of Estimate and Apportionment be empowered by the state legislature to district the city for purposes of building for height and court restrictions. Eight classes of districts are suggested. It is recommended also that power be given the Board of Estimate and Apportionment to regulate the location of industries.

Not the least important part of the report consists in its appendices, especially the detailed studies by Herbert S. Swan on the present restrictions on heights of buildings in New York City, London, Paris, Boston, Washington, and Los Angeles, and the studies by Mr. Frank Backus Williams on the German Zone building regulations. Special studies are also made of vacancies in high buildings, and of the relation of high buildings to extra insurance premiums. Important statements submitted to the commission by real estate experts, tenement house reformers, city planners, and others are included.

Aside from the usual report of work accomplished during the year 1913, the *Third Annual Report of the Philadelphia Housing Commission* (Philadelphia, 1913, pp. 31) contains a further study by Bernard G. Newman of the effect of improvements upon rents. In 1540 cases, averaging in cost from six to eight months' rent, only 8.18 per

cent of the rents had been increased, while 1.7 per cent had decreased. In older quarters the increase had amounted to only 5 per cent; in newer quarters, to 16.3 per cent. The percentage of home ownership is smallest in the wards where the congestion of population is greatest.

A pamphlet by George L. Pepler on *What Town Planning Means* (Garden Cities and Town Planning Association, London, 1913, pp. 13) indicates what local councils can do for the improvement of housing conditions under the Town Planning Act of 1909.

After a tour of Europe and the United States in the capacity of adviser in housing to the government of New South Wales, Professor Robert Francis Irvine of the University of Sydney prepared a *Report of the Commission of Inquiry into the Question of the Housing of Workmen in Europe and America* (Legislative Assembly, New South Wales, 1913, pp. vi, 131). It is published both as a document and in book form (pp. 283) under the author's name. Municipal, industrial and coöperative housing, town planning and health legislation are treated. The important literature of the subject for England and the United States has been freely used and quoted. The chief contribution to housing literature is made in the parts which deal with housing in New South Wales. The book is a good compilation, well presented, and also well illustrated.

The Local Government Board, of London, has for the first time published separately its annual account of the administration of housing for the working classes in *Forty-second Annual Report of the Local Government Board, 1912-1913*. Part II. *Housing and Town Planning* (London, Darling, 1913, pp. lxxii, 67, 7d.). It deals with the year ending March 31, 1913, and covers the improvements of existing houses, the cleaning of slum areas, the provisions of new houses, and summarizes the town planning schemes of urban and rural communities operating under the Act of 1909. It is evident from the material presented that housing inspection has been improved materially in quantity and quality, and that the activity of district councils, both urban and rural, has been increased both in the destruction or improvement of unsanitary property and in the construction of new houses for the working classes. Municipal housing is incidentally vindicated in the report, but the Local Government Board sees no evidence that municipal housing will displace housing construction by private enterprise.

Important statistical tables are appended together with an inter-

esting memorandum prepared by the board for the use of local authorities instructing them as to preferred types of construction and arrangement of houses.

The report is valuable both for the evidence it gives of the Local Government Board's methods and of local housing achievements. It contains no suggestions for improvement of British housing and town planning legislation, and contains no substantial vindication of the existing policy. The reports of the board might be made of greater value by the inclusion of more thorough studies of the effects of the existing law as now administered upon local living conditions.

JAMES FORD.

REPORT OF THE COMMISSION ON NATIONAL AID TO VOCATIONAL EDUCATION. The commission was created by an act of Congress approved January 20, 1914, with the following membership: Senators Hoke Smith of Georgia and Carroll S. Page of Vermont; Representatives D. M. Hughes of Georgia and S. D. Fess of Ohio; and John A. Lapp, director Indiana Bureau of Legislative Information; Miss Florence M. Marshall, director Manhattan Trade School; Miss Agnes Nestor, president International Glove Workers' Union; Charles A. Prosser, secretary National Society for the Promotion of Industrial Education; and Charles H. Winslow, special agent Bureau of Labor Statistics.

The commission organized April 2, with Senator Smith chairman. A. Wreidt was appointed secretary; E. A. Goldenweiser, statistician; and John Cummings, in charge of research work. The fact that the congressional members were identified with existing and proposed legislation on vocational education and the lay members all had had practical experience in such work enabled the commission to complete its work quickly. On June 1 it submitted a *Report of the Commission on National Aid to Vocational Education together with Hearings Held on the Subject* (Washington, 1914, H. Doc. No. 1004, 63 Cong., 2 Sess., pp. 207, 292). The report is in two volumes, the first containing the commission's views and recommendations and the evidence on which they are based, and the second containing a record of the hearings.

Questionnaires were sent to superintendents of schools in cities of at least 10,000 inhabitants, and in five rural counties in each state, also to 70 representative employers of skilled, semi-skilled, and unskilled labor, and to 104 trade unions. The replies, 814 in number, are tabulated and analyzed in the report. An account of the status of vocational education in Germany and a bibliography of the subject are included.

The commission found that the need of vocational education in the United States is very great and is supplied very inadequately, especially in agricultural training and in trades and industries, and that the states need assistance from the federal government in order to place this important branch of education on a firm footing.

Consequently, the commission recommends the creation of a federal Board on Vocational Education, consisting of Cabinet officers with the Commissioner of Education as executive officer, the duties of this board to consist of administering the national funds for distribution among states, and of studying the problem of vocational education here and abroad and reporting the results of its studies. The board is to have an annual appropriation of \$200,000. The commission recommends the appropriation of moneys to be distributed among the states for the training of teachers of agricultural and trade and industrial subjects, and of home economics; and for part payment of salaries of teachers of agriculture and of trade and industries. The states are to use the money for vocational education in schools below college grade and for persons over 14 years of age; and are to expend a dollar for every dollar received from the federal government. The total amount to be disbursed by the federal government is to be \$1,656,000 in 1916 and is to increase to \$7,162,200 in 1924 and remain at that figure annually thereafter.

A bill providing for the carrying out of the commission's recommendations has been introduced in each house of Congress.

E. A. GOLDENWEISER.